

## Elements of organizational culture leading to business excellence\*

Zlatka Meško Štok<sup>1</sup>, Mirko Markič<sup>2</sup>, Andrej Bertoneclj<sup>3</sup>, Maja Meško<sup>4</sup>

### Abstract

*The main aim of this research was to define the development of a conceptual frame to understand the impact of organizational culture on business excellence in medium-sized and large Slovenian enterprises. In our research the focus was on the importance of the role of communication structure, interpersonal relationships, motivation, and stimulation as part of knowledge management among 825 managers working in medium-sized and large Slovenian enterprises. The aim was to find out if these elements lead or contribute to business excellence. To analyse our data we applied analysis of variance as research methods. Our proposed thesis was supported since significant differences in business excellence between enterprises, different in the above mentioned elements. We can conclude that an appropriate communication structure, interpersonal relationships, motivation, stimulation and values as part of organizational culture positively affect business excellence in enterprises.*

**Key words:** enterprises, business excellence, organizational culture, communication, interpersonal relationships, employee motivation, stimulation

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<sup>1</sup> Assistant Professor, University of Primorska, Faculty of Management, Cankarjeva 5, 6104 Koper, Slovenia. Scientific affiliation: management, marketing. Phone: 386(0)5610-20-44. E-mail: Zlatka.Stok@fm-kp.si

<sup>2</sup> Associate Professor, University of Primorska, Faculty of Management, Cankarjeva 5, 6104 Koper, Slovenia. Scientific affiliation: management. Phone: +386(0)5610-20-45. E-mail: Mirko.Markic@fm-kp.si

<sup>3</sup> Associate Professor, University of Primorska, Faculty of Management, Cankarjeva 5, 6104 Koper, Slovenia. Scientific affiliation: management. Phone: +386(0)5610-20-43. E-mail: Andrej.Bertoneclj@fm-kp.si

<sup>4</sup> Assistant Professor, University of Primorska, Faculty of Management, Koper, Slovenia. Scientific affiliation: management, psychology, kinesiology. Phone: +386(0)5 / 610-20-43. Fax: +386(0)3 425 425 5. E-mail: Maja.Mesko@fm-kp.si (corresponding author)

## 1. Introduction

It has been widely acknowledged that organisational culture is significant in organisational behaviour and performance (Trice and Beyer 1993; Deal and Kennedy 2000; Peters and Waterman 2004; Schein 2004). Moreover Gamage (2006) claims that "any leader or manager who needs to improve the organisational effectiveness of his or her institution should be able to diagnose the organisational culture".

The idea of organisational culture itself implies strong, shared values that are not easily altered. This can be illustrated by Schein's (2004) interpretation of levels of culture. He argues that every culture can be analysed at different levels where the term level "refers to the degree to which a cultural phenomenon is visible to the observer" On the first level there are artefacts that include all the phenomena that can be seen, heard or felt when a member enters an unfamiliar culture. On the second level we can encounter espoused values expressed thorough strategies, goals and philosophies. If these values are perceived 'good' they gradually start to transform into shared assumptions that exist at the third level. Their main feature is that they are taken-for-granted to such an extent that "we neither confront nor debate and hence are extremely difficult to change". If we then want to understand or study culture we have to decipher these complex patterns and their plurality of surface levels. At this point we would like to refer to the notion of stability and hence of strong organisational cultures expressed through shared values, commonly renowned heroes, programmed rites and rituals and effective cultural networks – the means of communication (Deal and Kennedy 2000).

Some authors (i.e. Kotter and Heskett 1992; Beaumont 1996; Morgan 1997) express concern about a positive correlation between organisational success and strong organisational culture.

So we can open the question about the relationship between the role of communication structure, interpersonal relationships, employee motivation, and stimulation as part of organizational culture in medium-sized and large Slovenian enterprises and find out if these elements contribute to business excellence.

### 1.1. Concept of organizational culture

Organizational culture represents an ideology of the organization as well as the forms of its manifestation. The ideology of the organization includes beliefs, values and norms. It is manifested through symbols, language, narration and other activities (Trice and Beyer, 1993). Organizational culture is the set of shared philosophies, assumptions, values, expectations, attitudes and norms which bind an organization together. It helps a company to implement its strategies effectively (Wilkins and Ouchi, 1983). Organizational culture has been defined as patterns of shared values

and beliefs over time which produces behavioral norms that are adopted in solving problems (Deal and Kennedy, 1982; Schein, 1983; Morgan, 1998). Schein (1985) has also noted that organizational culture is a body of solutions to problems which have worked consistently and are therefore taught to new members as the correct way to perceive, think about, and feel in relation to those problems. Cultures basically spring from three sources, (1) the beliefs, values, and assumptions on founders of organization; (2) the learning experiences of group members as their organization evolves; and (3) new beliefs, values, and assumptions brought in by new members and leaders (Schein, 2004). In fact, these shared philosophies, assumptions, values, expectations, attitudes, and norms bind an organization together (Deal and Kennedy, 1982; Peters and Waterman, 1982; O'Reilly et al., 1991; Sheridan 1992). Organizational culture can therefore be used as a form of control (Wilkins and Ouchi, 1983) and as a means of increasing productivity (Denison and Mishra, 1995).

In sum, organizational culture is the glue that welds managers together for the effective implementation of organizational strategies, and the absence of this glue would bring about disastrous effects on the organization (Norburn et al., 1988).

The topic of culture and effectiveness is of central importance in organizational studies (Wilkins and Ouchi, 1983; Barney, 1986; Denison and Mishra, 1995; Gordon and DiTomaso, 2007; Bavec, 2007) but progress in the development of theory and research has been slowed by a formidable set of research problems. For example, an integrative theory must encompass a broad range of phenomena extending from core assumptions to visible artifacts, and from social structures to individual meaning. Such a theory must also address culture as a symbolic representation of past attempts at adaptation and survival as well as a set of limiting or enabling conditions for future adaptation. Several attempts at integration have been presented (Allaire and Firsirotu, 1984; Ott, 1989; Schein, 1985, 2004) but there is still limited consensus regarding a general theory of organizational culture, and healthy skepticism about whether culture can ever be "measured" in a way that allows one organization to be compared with another. The concept of effectiveness also presents a challenging set of problems. The multidimensional nature of the concept requires that effectiveness be defined by a complex of stakeholders, who may hold differing, incompatible, and changing criteria (Cameron and Whetten, 1983; Lewin and Minton, 1986).

Studies of organizational culture have been able to shed light on the organization as an epistemological system. In addition, they have underscored the importance of such human factors as values, meanings, commitments, symbols, and beliefs, and paved the way for more elaborate research on the tacit aspect of knowledge. Furthermore, they have recognized that the organization, as a shared meaning system, can learn, change itself, and evolve over time through the social interaction among its members and between itself and the environment (Nonaka and Takeuchi, 1995). As Takeuchi and Nonaka (2004) stress, the most important difference between an industrial-era and knowledge-era organization is a radical conversion from an 'either/or' to and

'and' mentality. A knowledge-era organization needs to cultivate opposing traits and embrace dualities. The effectiveness of organization learning depends on how knowledge management processes are aligned with an organization's infrastructure and processes, in a manner that supports the achievement of an organization's goals (Biloslavo, 2004). That knowledge is of fundamental importance for organizations of any sized industry is no longer a question (Argyris and Schon, 1996; Martin, 2000). Even if knowledge is not the sole element for an organization's survival, it is the most important one because it supports all others (Argyris and Schon, 1996; Argyris, 1999; Easterby-Smith et al., 1999; Pedler et al., 1991; Senge, 1990; Rastogi, 2000). In the practical implementation of knowledge management in organizations, many hurdles emerge. They relate to organizational culture and its impact on knowledge transfer among co-workers as well as on a commercially advantageous application of an enterprise. The results of the study have shown that managers and professional workers employed in Slovene enterprises have an approximately equal perception regarding the organizational culture (Mlinar, Štihec, Karpljuk and Videmšek, 2009). The potential hurdles which are most frequent and prevent knowledge transfer as well as its application include above all lack of time, lack of communication skills and motivation, knowledge hiding, an organizational culture which does not consider knowledge sharing and dissemination of knowledge to be important, etc. In other words, this could be the result of an inappropriate, obsolete organizational culture which gives the character to the mentality and activities of all employees.

## **1.2. Business excellence, communication structures, interpersonal relations and motivation among employees**

Therefore, in most cases innovating organizational culture is indispensable. In this process managers, as well as owners, play the most important role (Likar et al., 2006; Kralj and Markič, 2008; Martins and Terblanche, 2003; Montes et al., 2005; Tidd, 2001; Ahmed, 1998; Silvestro and Fitzgerald, 1992). To save organizational culture, Mulej et al. (2004) proposes directing attention to the ethics of interdependence as a reflection of an actual interdependence and as a basis which makes it possible for the culture of cooperation and mutual knowledge transfer to win recognition, with the aim of wider common knowledge which could enable employees to perform and innovate their work. In other words, in an organization communication is regarded as the key form or type of work in a team as it enables its functioning and growth. Effective communication is as follows: "*When two people interact, they put themselves into each other's shoes, try to perceive the world as the other person perceives it, try to predict how the other will respond. Interaction involves reciprocal role-taking, the mutual employment of empathetic-skills. The goal of interaction is the merger of self and other, a complete ability to anticipate, predict, and behave in accordance with the joint needs of self and other.*" (Berlo, 1960). Incessant mutual imparting of information and exchange of views are preconditions for cooperation

and decision-making. Good quality communication is a two-way or even a multi-way process, enabling the use of common experience of a team and reaching solutions that cannot be achieved by an individual alone. The main problem for the chief executive in dealing with questions brought up is to keep himself informed (Mintzberg, 1973). While communicating, the team recognizes, notices, analyses and solves problems, takes decisions and coordinates the work of an individual. Good quality communication in teams is open and spontaneous (Daft, 2000).

Interpersonal relations are a reflection of organizational climate (atmosphere), which is defined as a perception of all those aspects of the work environment (events, procedures, relations) which are psychologically sensible to all participants in an organization. Good interpersonal relations in an organization are reflected in employee satisfaction as a desirable or positive emotional state which is the result of an individual's work evaluation and his work experience (Miklavčič Šumanski et al., 2007). Writers on organizational behavior (Payne and Mansfield, 1973; Woodman and King, 1978; Sparrow and Gaston, 1999; Schneider, 2006; Walsh and Dewar, 2007) recognize the need to develop a theoretical framework that allows systematic movement from one level of analysis to another.

Motivation is an important element of the stuffing function, which is aimed at satisfying employees and is achieved by a continuous monitoring of employee satisfaction in an organization. However, it is on managers to decide which elements to include in the goals of a business process in order to motivate employees to achieve organizational goals, as well as higher quality of operations and work. Employees should express their opinions, requirements and expectations, they should feel satisfied doing their work and should work with pleasure, reconciling organizational goals and their individual needs, which results in motivation oriented towards the desired direction and success (Meško, Meško Štok, Podbregar and Karpljuk, 2008). Leadership requires not only insight into the dynamic of culture but the motivation and skill to intervene in one's own cultural process. To change any elements of the culture, leaders must be willing to unfreeze their own organization. Unfreezing requires disconfirmation, a process that is inevitably painful for many. The leader must find a way to say to his or her own organization that change are not all right and, if necessary, must enlist aid of outsiders in getting this message across. Such willingness requires a great ability to be concerned for the organization above and beyond the self, to communicate dedication or commitment to the group above and beyond self-interest (Schein, 2004).

We can define excellence as quality enhancement or we can see it as high quality or even top quality. Excellence is a combination of values, incentives and activities whose interaction result in outstanding achievements. It is a spur and a motive power of development, quality and a person's, group's or organization's growth. It is an intense and engaging activity reflecting also in the behaviour of each individual inside a team producing outstanding results. Excellence arises gradually in the

mental concentration and harmony. Being excellent is being among the best (Markič, 2006). By the vision of excellence we create the atmosphere and circumstances where each employee will be able to achieve his or her full potentials. There are numerous studies on excellent companies; among the most noted are the studies about American companies – In Search of Excellence (Peters and Waterman, 1982), about British companies – The Winning Streak (Goldsmith and Clutterbruch, 1984) and about visionary companies – Built to Last (Collins and Porras, 2000). In the studied companies, process innovation, among other innovations, proved as a precondition for business excellence. Innovative companies foster innovation at all levels and processes of the organization. They combine a planned gradual development and random incentives which stimulate progress. On the basis of observing innovation processes for 20 years, companies were ranked by excellence. Innovation was reflected in continuous beneficial changes in processes and in the speed of response to changing demands of a market or other external factors.

Based on the above discussion, we aimed to define the development of a conceptual frame to understand the impact of organizational culture on business excellence in medium-sized and large Slovenian enterprises. The main purpose of our study was to find out the importance of the role of communication structure, interpersonal relationships, employee motivation, and stimulation as part of organizational culture in medium-sized and large Slovenian enterprises and find out if these elements lead or contribute to business excellence. In our research we developed two main hypotheses relating to the impact of organizational culture elements on business excellence; i.e. in middle-sized and in large Slovenian enterprises communication structure, interpersonal relations, employee motivation and stimulation (organizational culture) play an important part in achieving business excellence as well as leading to business excellence.

*H1: In middle-sized Slovenian enterprises communication structure, interpersonal relations, employee motivation and stimulation (organizational culture) play an important part in achieving business excellence as well as leading to business excellence.*

*H2: In large Slovenian enterprises communication structure, interpersonal relations, employee motivation and stimulation (organizational culture) play an important part in achieving business excellence as well as leading to business excellence.*

## 2. Method

### 2.1. Description of the sample

The number of Slovenian enterprises that obtained a certificate of quality had exceeded 1,800. In this research we focused on medium-sized (number of employees does not exceed 250, turnover not exceeding 35 million EUR) and large (number

of employees is more than 250, turnover is more than 35 million EUR) Slovenian enterprises. The sample includes 825 managers in medium-sized and large Slovenian enterprises. We conducted a survey in which the participants graded various indicators (like employee motivation indicators, employee work satisfaction indicators etc.).

In our research we applied adequate research instruments described in the text below.

## **2.2. Research instruments**

For the purpose of our research we administered a questionnaire consisting of two parts. The first part is a general one including information on the type of enterprise, its size, the workplace of the respondent, their sex, age, education and foreign language skills. The second part of the questionnaire is content-based: it includes the statements which the respondents assess or grade on a 5-point scale and it refers to the following topics: communication structures of interpersonal relations among employees, employee motivation and stimulation, the most important goals in acquiring knowledge and organizational factors of development – incentives for managers and senior executives in the business process.

## **2.3. Research process**

The gathering of data was carried out in 2006 and 2007 in various enterprises in Slovenia. The respondents were willing to co-operate anonymously. After the consent and arrangements with the senior executives in the studied enterprises, we started to administer the questionnaires. First, they were provided with short descriptions of key concepts of our study. The respondents filled in the questionnaires. The time was not limited.

## **2.4. Methods of data processing**

All the hypothesis were tested at a significance level less than 5% ( $P=0.05$ ). To analyse our data we used an analytical software programme SPSS 15.0 (Statistical Package for the Social Sciences) and Microsoft Excel Software Programme. The results are presented in a descriptive way and as tables.

In data analysis we applied the following research methods:

- calculating basic statistical parametres (DESCRIPTIVES),
- one-way variance analysis (ANOVA).

### 3. Results and discussion

In our research, 825 managers, executives and experts were involved; among them, 60.72% were women and 37.94 were men. The focus group was achieved with 93.30% of executives or experts.

Table 1 (see Appendix) show the description of the abbreviations obtained in analysis in a middle-sized and large enterprises.

To test hypotheses and to analyse our data we applied analysis of variance (see Appendix – Table 2 and 3).

Hypothesis 1 was supported as significant differences in the medium-sized enterprises were established in the communication structure of interpersonal relations, employee motivation and stimulation by applying the variance analysis method. These differences were observed with: Mo-1 ( $p=0.000$ ), Mo-3 ( $p=0.000$ ), Mo-4 ( $p=0.000$ ), Mo-5 ( $p=0.000$ ), Mo-6 – ( $p=0.000$ ), Mo-8 ( $p=0.000$ ), Mo-9 ( $p=0.000$ ), Mo-10 ( $p=0.000$ ), Mo-11 ( $p=0.000$ ), Mo-12 ( $p=0.000$ ), and Mo-13 ( $p=0.000$ ) (see Appendix-Table1).

Hypothesis 2 was supported as significant differences in the large enterprises were established in the communication structure of interpersonal relations, employee motivation and stimulation by applying the variance analysis method. These differences were observed with all the items, namely: Mo-1 ( $p=0.005$ ), Mo-2 ( $p=0.000$ ), Mo-3 ( $p=0.000$ ), Mo-4 ( $p=0.000$ ), Mo-5 ( $p=0.000$ ), Mo-6 ( $p=0.000$ ), Mo-7 ( $p=0.000$ ), Mo-9 ( $p=0.000$ ), Mo-10 – The enterprise should have a clear mission statement ( $p=0.000$ ), Mo-11 ( $p=0.000$ ), Mo-12 ( $p=0.000$ ), and Mo-13 ( $p=0.000$ ) (see Appendix-Table 2).

Enterprises use versatile ways of informing, planning, motivating, organizing, controlling and coordinating. We presume that these processes influence organizational culture in enterprises. Both of the hypotheses, H1 and H2, on the basis of whom we can presume that the organizational culture in medium-sized and large enterprises in Slovenia has a significantly positive impact on business excellence, are both supported. By way of one-way variance analysis, whereby we search for differences among enterprises holding the certificate of business excellence and those not holding one, we established that there were statistically significant differences among these two types of enterprises in all the sets of statements in the questionnaire. There were differences in the set of questions dealing with communication structure of interpersonal relations among employees, employee motivation and stimulation, most significant goals in acquiring knowledge in middle-sized and large enterprises.



## 4. Conclusion

The hypothesis that we set was supported for the middle-sized as well as for large enterprises as significant differences in business excellence were established by applying variance analysis. The analysis and interpretation of the research results supported our hypotheses. Therefore, the research has found out that an appropriate communication structure, interpersonal relationships, motivation, stimulation and values as part of organizational culture positively affect business excellence in enterprises.

We can conclude that an adequate elements of organizational culture positively influence the business excellence of an enterprise. There are also some limitations of the research regarding economic, social and cultural specificities. Another limitation of the study concerns the selection of elements of organizational culture, which are limited to elements communication structure, interpersonal relationships, motivation, and stimulation.

In further research, it would be meaningful to study the possibility of spreading/ applying this analysis on elements of organizational culture which includes also other components and relations, e.g.: norms, attitudes, experiences, beliefs and values (personal and cultural values) of an organization. It would be useful to determine the correlation between the remaining components of organizational culture elements and business excellence and identify the prominent influence of a particular component.

The results of this research can be generalised and useful for the creators or for those responsible for planning process in enterprises. The proposed guidelines for an improving business excellence in enterprises will be of assistance to policy and strategy makers and will contribute to the generation of new knowledge leading organizations towards more successful goal achieving.

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## Elementi organizacijske kulture koji vode do poslovne izvrsnosti

Zlatka Meško Štok<sup>1</sup>, Mirko Markič<sup>2</sup>, Andrej Bertonec<sup>3</sup>, Maja Meško<sup>4</sup>

### Sažetak

Glavni cilj istraživanja bio je odrediti razvoj konceptualnog okvira, da bi se razumio utjecaj organizacijske kulture na poslovnu izvrsnost u srednjim i velikim slovenskim poduzećima. U našem istraživanju težište je stavljeno na važnost uloge komunikacijske strukture, međuljudskih odnosa, motivacije i stimulacije zaposlenika kao dio organizacijske kulture kod 825 menadžera u srednjim i velikim slovenskim poduzećima. Cilj je bio saznati da li ti elementi doprinose poslovnoj izvrsnosti poduzeća. Kvantitativno propitivanje podataka izvršeno je metodom analize varijante. Polazna pretpostavka podržana je značajnim razlikama, kao rezultatima istraživanja, u gore navedenim elementima i poslovnim izvrsnostima poduzeća. Moguće je zaključiti, da odgovarajuće komunikacijske strukture, međuljudski odnosi, motivacija i stimulacija, kao dio organizacijske kulture, pozitivno djeluju na poslovnu izvrsnost u poduzećima.

**Ključne riječi:** poduzeća, poslovna izvrsnost, organizacijska kultura, komunikacija, međuljudski odnosi, motivacija zaposlenika, stimulacija

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<sup>1</sup> Docentica, Sveučilište Primorska, Fakultet za menadžment, Cankarjeva 5, 6104 Koper, Slovenija. Znanstveni interes: menadžment, marketing. Tel.: +386(0)5610-20-44. E-mail: Zlatka.Stok@fm-kp.si

<sup>2</sup> Izvanredni profesor, Sveučilište Primorska, Fakultet za menadžment, Cankarjeva 5, 6104 Koper, Slovenija. Znanstveni interes: menadžment. Tel.: +386(0)5610-20-45. E-mail: Mirko.Markic@fm-kp.si

<sup>3</sup> Izvanredni profesor, Sveučilište Primorska, Fakultet za menadžment, Cankarjeva 5, 6104 Koper, Slovenija. Znanstveni interes: menadžment. Tel.: +386(0)5610-20-43. E-mail: Andrej.Bertonec@fm-kp.si

<sup>4</sup> Docentica, Sveučilište Primorska, Fakultet za menadžment, Cankarjeva 5, 6104 Koper, Slovenija. Znanstveni interes: menadžment, psihologija, kineziologija. Tel.: +386(0)5/610-20-43. Fax: +386(0)3 425 425 5. E-mail: Maja.Mesko@fm-kp.si (kontakt osoba)

## Appendices

Table 1: Description of the abbreviation for the communication structure, interpersonal relations, employee motivation and stimulation in middle-sized and large enterprises

Variable name	Description
Mo-1	To improve enterprise operations and to upgrade the research process, the cooperation of all employees is required.
Mo-2	Employee cooperation is made possible by the authority to work autonomously.
Mo-3	It is required to encourage all employees to balance or reconcile their needs and expectations.
Mo-4	It is required to identify and reconcile employee knowledge and abilities with organizational goals.
Mo-5	It is required to attend to professional development of all employees.
Mo-6	It is required to attend to a favourable employee policy (recognizing employee achievements).
Mo-7	Good interpersonal relations are required in order to maintain employee satisfaction in terms of work process implementation.
Mo-8	It is required to attend to undisturbed communication considering the requests and needs of all employees.
Mo-9	There should be undisturbed communication among all employees.
Mo-10	The enterprise should have a clear mission statement.
Mo-11	Employees should be encouraged to cooperate in accomplishing enterprise goals.
Mo-12	A good enterprise image could be created by employee loyalty and commitment.
Mo-13	It is required to provide relevant information concerning the duties and obligations of each employee.

Source: authors

Table 2: Variance analysis for middle-sized enterprises obtained in analysing the results for communication structure, interpersonal relations, employee motivation and stimulation

		Sum of Squares	df	Mean Square	F	Sig.
Mo-1	Between Groups	10.712	1	10.712	24.829	0.000***
	Within Groups	197.584	458	0.431		
	Total	208.296	459			
Mo-2	Between Groups	2.801	1	2.801	3.057	0.081
	Within Groups	417.810	456	0.916		
	Total	420.611	457			
Mo-3	Between Groups	16.314	1	16.314	33.378	0.000***
	Within Groups	223.372	457	0.489		
	Total	239.686	458			
Mo-4	Between Groups	10.203	1	10.203	23.712	0.000***
	Within Groups	196.218	456	0.430		
	Total	206.421	457			
Mo-5	Between Groups	6.335	1	6.335	18.528	0.000***
	Within Groups	155.581	455	0.342		
	Total	161.917	456			
Mo-6	Between Groups	6.186	1	6.186	15.483	0.000***
	Within Groups	182.181	456	0.400		
	Total	188.367	457			
Mo-7	Between Groups	0.026	1	0.026	.035	0.852
	Within Groups	337.790	458	0.738		
	Total	337.815	459			
Mo-8	Between Groups	17.696	1	17.696	37.558	0.000***
	Within Groups	215.791	458	0.471		
	Total	233.487	459			
Mo-9	Between Groups	6.280	1	6.280	16.596	0.000***
	Within Groups	172.940	457	0.378		
	Total	179.220	458			
Mo-10	Between Groups	11.401	1	11.401	31.606	0.000***
	Within Groups	164.494	456	0.361		
	Total	175.895	457			
Mo-11	Between Groups	11.049	1	11.049	35.416	0.000***
	Within Groups	142.888	458	0.312		
	Total	153.937	459			
Mo-12	Between Groups	22.574	1	22.574	33.765	0.000***
	Within Groups	306.198	458	0.669		
	Total	328.772	459			
Mo-13	Between Groups	24.281	1	24.281	58.421	0.000***
	Within Groups	190.352	458	0.416		
	Total	214.633	459			

Source: authors

Table 3: Variance analysis for large enterprises obtained in analysing the communication structure, interpersonal relations, employee motivation and stimulation

		Sum of Squares	df	Mean Square	F	Sig.
Mo-1	Between Groups	5.058	1	5.058	8.116	0.005**
	Within Groups	224.337	360	0.623		
	Total	229.395	361			
Mo-2	Between Groups	17.716	1	17.716	19.715	0.000***
	Within Groups	319.907	356	0.899		
	Total	337.623	357			
Mo-3	Between Groups	19.330	1	19.330	33.250	0.000***
	Within Groups	208.125	358	0.581		
	Total	227.456	359			
Mo-4	Between Groups	6.377	1	6.377	15.267	0.000***
	Within Groups	148.284	355	0.418		
	Total	154.661	356			
Mo-5	Between Groups	5.548	1	5.548	12.739	0.000***
	Within Groups	156.786	360	0.436		
	Total	162.334	361			
Mo-6	Between Groups	7.723	1	7.723	17.330	0.000***
	Within Groups	159.983	359	0.446		
	Total	167.706	360			
Mo-7	Between Groups	3.683	1	3.683	5.056	0.025*
	Within Groups	262.199	360	0.728		
	Total	265.881	361			
Mo-8	Between Groups	20.431	1	20.431	42.143	0.000***
	Within Groups	174.530	360	0.485		
	Total	194.961	361			
Mo-9	Between Groups	9.152	1	9.152	21.577	0.000***
	Within Groups	151.845	358	0.424		
	Total	160.997	359			
Mo-10	Between Groups	9.936	1	9.936	22.690	0.000***
	Within Groups	157.205	359	0.438		
	Total	167.141	360			
Mo-11	Between Groups	11.535	1	11.535	27.672	0.000***
	Within Groups	150.070	360	0.417		
	Total	161.605	361			
Mo-12	Between Groups	19.118	1	19.118	23.703	0.000***
	Within Groups	290.352	360	0.807		
	Total	309.470	361			
Mo-13	Between Groups	18.422	1	18.422	44.069	0.000***
	Within Groups	150.487	360	0.418		
	Total	168.909	361			

Source: authors